

Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 124 - Department of Retirement Systems

Administration

Agency management activities include executive leadership, budget, fiscal and legal services, and policy and planning support to the Governor on pension issues, personnel, and other administrative support services. The authority for the Department of Retirement Systems (DRS) is established by RCW 41.50.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-------------|-----|-------------|------|-------------|-----|-------------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$2,179,000 | \$0 | \$2,179,000 | 25.9 | \$2,221,000 | \$0 | \$2,221,000 | 25.9 |

Expected Results:

Comply with federal and state statutes, as well as fiduciary responsibilities. Maintain administrative costs at an amount that is lower than those for other public pension systems in the United States; given complexity and service levels.

Outcome Measure: Percent below the international pension administration benchmark for cost per member, for corresponding levels of complexity and service.

| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
|-------------|-------------|-------------|---------------|---------------|---------------|
| 44% | 28% | 31% | 25% | 25% | 25% |

Benchmarking is performed by a third party provider. The "percent below" figure represents the difference between DRS' actual cost per member and the predicted cost per member, given DRS' complexity and service levels relative to its peers.

Efficiency Measure: Provide knowledgeable staff service to all members visiting DRS without an appointment in an average of four minutes of their arrival.

| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
|-------------|-------------|-------------|---------------|---------------|---------------|
| 2.06 | 3.58 | 2.29 | 4 | 4 | 4 |

Faced with projected growth in the number of retirements and the number of members, both of which produce workload increases, DRS proposes to sustain its current high standards of customer service without increases in staff.

Deferred Compensation Management for Public Employees

The Deferred Compensation Program (DCP) enables eligible public employees to defer a portion of their earnings under a series of before-tax investment plans until retirement or termination of public employment. Currently, the program has \$1.7 billion in assets and serves nearly 47,000 employees of state government, higher education, and political subdivisions. This activity also includes a supplemental retirement program serving more than 200 judges. Authority for the Deferred Compensation Plan is contained in RCW 41.50 and Section 457 of the Internal Revenue Code, while authority for the Judges program is contained in RCW 2.12.

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| FY 2006 | | | | FY 2007 | | | |
|-------------|-----|-------------|------|-------------|-----|-------------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$1,870,000 | \$0 | \$1,870,000 | 19.9 | \$1,900,000 | \$0 | \$1,900,000 | 19.9 |

Expected Results:

Increase participation in the program. Implement program changes necessitated by changes in federal law. Maintain low administrative fees. Maintain high participant satisfaction, as measured by an annual survey. Maintain industry standard record keeping for DCP participants. Maintain program compliance with federal law.

Efficiency Measure: Complete requests for retirement estimates in an average of five days.

| FY02 Actual | FY03 Actual | FY04 Actual | FY05 Estimate | FY06 Proposed | FY07 Proposed |
|-------------|-------------|-------------|---------------|---------------|---------------|
| 5.09 | 3.61 | 3.46 | 5 | 5 | 5 |

Faced with projected growth in the number of retirements and the number of members, both of which produce workload increases, DRS proposes to sustain its current high standards of customer service without increases in staff.

Dependent Care Program Management for Public Employees

This program enables eligible employees to set aside a before-tax portion of their compensation for reimbursement of dependent care expenses. The activity presently serves more than 1,100 public employees, with deferrals totaling \$4.6 million in Fiscal Year 2004. Authority for the program is provided by RCW 41.04.610 and Section 125 of the Internal Revenue Code.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-----------|-----|-----------|------|-----------|-----|-----------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$190,000 | \$0 | \$190,000 | 2.5 | \$209,000 | \$0 | \$209,000 | 2.5 |

Expected Results:

Maintain participation levels. Maintain program compliance with federal law.

Employer Support Services

This activity contains the unit responsible for conducting field audits of and providing training to nearly 1,300 public employers, assuring their compliance with state laws and regulations. The Employer Support Services Unit also receives and processes essential member information submitted by public employers. Authority for DRS is established by RCW 41.50.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-------------|-----|-------------|------|-------------|-----|-------------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$1,711,000 | \$0 | \$1,711,000 | 25.0 | \$1,727,000 | \$0 | \$1,727,000 | 25.0 |

Expected Results:

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Obtain timely and accurate member contribution and service credit information from employers. Maintain high satisfaction ratings from employers, as measured by an annual survey.

One-Time Projects

This activity contains the one-time costs associated with legislative projects approved and funded each session, which are then removed in the carry-forward level calculation process each biennium. The initial amounts for the 2005-07 Biennium reflect one-time costs associated with implementation of the Public Safety Employees' Retirement System (Chapter 242, Laws of 2004).

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-----------|-----|-----------|------|----------|-----|----------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$731,000 | \$0 | \$731,000 | 1.6 | \$64,000 | \$0 | \$64,000 | 2.2 |

Expected Results:

Implement projects on time and within budget.

Retirement Customer Services

The Department of Retirement Systems (DRS) serves over 544,000 active, retired, and inactive members of the Public Employees, School Employees, Teachers, Law Enforcement and Firefighters, Washington State Patrol, and Judicial retirement systems. Services include determining eligibility for retirement, educating and counseling prospective retirees, processing disability and death adjustments, and computing retirement benefits, deductions, and benefit adjustments. Authority for administering the retirement systems is established in RCW 2.10, 2.12, 41.26, 41.32, 41.34, 41.40, and 43.43. DRS also must conform to legislative mandates established in RCW 28.B10, 41.44, 41.45, 41.54, and 44.44.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Human resources support for government agencies

| FY 2006 | | | | FY 2007 | | | |
|-------------|-----|-------------|-------|-------------|-----|-------------|-------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$7,373,000 | \$0 | \$7,373,000 | 118.6 | \$7,445,000 | \$0 | \$7,445,000 | 115.0 |

Expected Results:

Provide benefit services that are a constitutionally-guaranteed contract between members and the state. Provide prompt service to members, as measured by responsiveness to: walk-in customers, phone calls, and correspondence. Maintain high member satisfaction, as measured by an annual survey.

Retirement Information Systems

DRS receives and manages essential information and records for members and retirees. Information services support includes database management, systems development, electronic communications support, system maintenance and troubleshooting, data collection and processing, and disbursement processing. Authority for DRS is established by RCW 41.50.

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Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Decision support for government decision makers

| FY 2006 | | | | FY 2007 | | | |
|-------------|-----|-------------|------|-------------|-----|-------------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$7,177,000 | \$0 | \$7,177,000 | 60.8 | \$6,982,000 | \$0 | \$6,982,000 | 60.9 |

Expected Results:

Maintain accurate and efficient pension systems. Secure member information and data. Complete timely and accurate programming associated with legislatively mandated benefit changes, and implementation of new plans.

Trust Fund Accounting

DRS administers retirement benefits for state and local government employees. At the end of Fiscal Year 2004, the pension trust funds contained \$44 billion in assets, with employer and member contributions for the year totaling \$644 million, and disbursements exceeding \$2 billion to more than 112,000 retirees each month. This activity contains the costs associated with all phases of accounting for the pension/trust funds, including collection of contributions, withdrawals and monthly pension disbursements, and IRS reporting. Authority for DRS is established by RCW 41.50.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

| FY 2006 | | | | FY 2007 | | | |
|-------------|-----|-------------|------|-------------|-----|-------------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$2,453,000 | \$0 | \$2,453,000 | 21.9 | \$2,802,000 | \$0 | \$2,802,000 | 21.9 |

Expected Results:

Provide timely and accurate pension payments to retirees, and accurate reporting to the Internal Revenue Service. Maintain industry standard record keeping for members participating the Public Employees', School Employees' and Teachers Retirement Systems Plan 3's.

Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Human resources support for government agencies

| FY 2006 | | | | FY 2007 | | | |
|-----------|-----|-----------|------|-----------|-----|-----------|------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$496,000 | \$0 | \$496,000 | 0.0 | \$498,000 | \$0 | \$498,000 | 0.0 |

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Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Human resources support for government agencies

| FY 2006 | | | | FY 2007 | | | |
|------------|-----|------------|-------|-------------|-----|-------------|-------|
| Total | GFS | Other | FTEs | Total | GFS | Other | FTEs |
| \$(83,000) | \$0 | \$(83,000) | (1.5) | \$(241,000) | \$0 | \$(241,000) | (4.4) |